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SUBJECT: OMAN - CODEL LOWEY SCENESETTER

REF: (A) STATE 10695; (B) MUSCAT 096

¶1. (SBU) Summary: Embassy Muscat warmly welcomes CODEL Lowey. The visit will be important in deepening our nation's relationship with the Sultanate of Oman. As Sultan Qaboos heads into the fortieth year of his reign, Oman is continuing the development that, since 1970, has taken it from isolation and poverty to a modern state. You will find Oman a country characterized with outstanding leadership along with good governance and rule of law through the development of strong governing institutions. The Sultan has taken a personal interest in strongly defending and promoting the position of women and ensuring that the countries resources are evenly distributed throughout this rugged country. The Sultanate is a reliable military ally and a good trading partner of the United States. Without fanfare, Oman also makes many positive contributions to Middle East Peace, regional stability, and ameliorating humanitarian crises. End Summary.

National Development Under the Sultan and Relations with the U.S.

¶2. (SBU) Embassy Muscat warmly welcomes Chairwoman Nita Lowey and accompanying delegation to Oman. Your visit will provide an excellent opportunity to further the already strong relationship between the United States and the Sultanate of Oman. 2010 is also an opportune year, marking the 40th year of the rule of Sultan Qaboos, an era that Omanis proudly call their nation's renaissance. Oman was once known as a country marked by poverty, disease, and illiteracy. The past 40 years have seen Oman, while still developing, grow into a modern nation of rule of law and of institutions and with high standards of education, health care, and regard for its citizens and expatriate residents.

¶3. (SBU) The U.S. relationship with Oman dates back 200 years, with American merchant ships making port calls in Oman as early as 1790. The two nations signed a Treaty of Amity and Commerce in 1833. Oman was the first Arab nation to recognize the United States, sending an envoy in 1841. Formal diplomatic relations were established in 1972, with the United States represented by its ambassador in Kuwait. Oman opened an embassy in Washington in 1973; the U.S. opened Embassy Muscat in 1974.

¶4. (SBU) Your visit will be the first by a Congressional Delegation in over two years, and you are eagerly awaited by your hosts and counterparts. The Embassy, as advised by Congressional Staff, is working with the Government of Oman to fit a rewarding and ambitious program into the available period of time. It is traditional practice in Oman that the final schedule is released by the Government closer to the time of arrival.

## Foreign Policy - Regional Stability - And Assistance

15. (SBU) Oman's foreign policy is strongly focused on regional stability. A common saying in the region is that Oman is a friend to all and the enemy of none. Nevertheless, Oman is not afraid to break with consensus when it believes its greater regional interests will be preserved. For example, unlike many Arab countries Oman did not break diplomatic relations with Egypt when that nation signed its peace treaty with Israel - a move that Egypt has not forgotten. An old friend of the Shah of Iran, the Sultan was deeply disturbed by the Iranian revolution. Oman views Iran as the strategic threat to the region but has chosen to manage the threat by fostering strong working relations with Tehran, especially as it concerns the Strait of Hormuz. About 40% percent of the world's oil and gas passes through the Strait, and all the navigable shipping lanes are in Omani territorial waters.

16. (SBU) Oman is concerned about the situation in Yemen, with an armed rebellion in the North and a renascent separatist movement in the South. To help stabilize the situation, Oman provides substantial economic and humanitarian assistance to the Yemeni people in conjunction with the Yemeni Government. Likewise, Oman provides assistance to refugees in Afghanistan and Pakistan. To

avoid inadvertently funding extremists, the preferred Omani method is to purchase humanitarian supplies locally, to support the economy of the stricken region, and supervise delivery in conjunction with the host government. Oman was one of the first to offer - and deliver - humanitarian relief supplies to Haiti.

## Economy

17. (SBU) Oman, unlike its neighbors, is not flush with petrodollars. The GDP per capita is approximately \$20,000, which is relatively evenly distributed. Oman's primary source of revenue is petroleum. The Ministry of Oil and Gas predicts an average of 850,000 barrels per day for 2010. Increases in Oman's production capacity largely stem from enhanced oil recovery methods (EORs), and no recent oil discoveries have been made. To address its dwindling oil resources, Oman has engaged in aggressive infrastructure development and has focused on sectors of the economy ripe for development. Such sectors include tourism and downstream manufacturing. The Ministry of Commerce and Industry has also heavily emphasized the need for small- and medium-sized enterprise development.

## The Status of Women and the Growth of Civil Society

18. (SBU) The past 40 years have shown a dramatic shift in opportunities for women. While women were afforded no education before 1970, there is now universal education, and more than half of all university undergraduates are women. Women make up 35 percent of all graduate students at Sultan Qaboos University. Over half of all teachers in public schools are women.

19. (SBU) There is notable progress at higher levels as well. Three members of the Council of Ministers are women: the Ministers of Higher Education, Tourism, Social Development. Oman was the first Arab nation to appoint a female ambassador, to the Netherlands, in 1999. It currently has two female ambassadors, to the United States (since 2005) and Germany (2009). Women hold 12 percent of senior government positions and make up over 40 percent of the civil service.

¶10. (SBU) In terms of civil society more generally, Oman is slowly but steadily moving from almost total state control of all organizations, societies, and activities to enabling the development of non-governmental organizations and private activism. The Sultanate has made real strides in the past five years, allowing for greater private initiative, for example, in efforts that promote public health and well-being, discuss social and cultural issues, and help Omanis better understand the rights -and obligations - of citizenship. Aspects of this development that we take for granted - basics like networking among peers (rather than within traditional communities and extended families), information sharing, and public discussion of issues that might prove controversial - are still novel in Omani society. Along with other international partners, the U.S. has played an important role in providing expertise and funding (especially through the Middle East Partnership Initiative, MEPI) in support of this encouraging development.

#### The Base Access Agreement (BAA)

¶11. (SBU) Military cooperation, as laid out in the U.S.-Oman BAA, has been a central pillar of our bilateral relationship since the agreement's inception in 1980. Renewable every 10 years, the agreement's next iteration is currently under negotiation. This security agreement has endured for 30 years, during a time of enormous change in the world. It gives U.S. forces, with consultation, access to Omani facilities, as well as the ability to pre-position war reserve material in select locations. As the situations in southern Central Asia, Somalia, and Yemen unfold, the need of such access, as well as for continued support for a strong and stable Oman, increases in importance. Oman exists in a tough

part of the world, with Iran only 35 miles away. The sea lanes through the Strait of Hormuz lie wholly in Omani territorial water. Oman was the first Persian Gulf state to permit the use of its military facilities by U.S. forces.

#### The Free Trade Agreement (FTA)

¶12. (SBU) The newest pillar of our bilateral relationship is the U.S.-Oman FTA, which came into effect in January 2009. The universal reaction from government interlocutors, business people (Omani and American), and the population at large is positive. The U.S. and Oman have just completed the first annual Joint Committee Meeting pursuant to the agreement. U.S. workers, farmers, and entrepreneurs now enjoy new opportunities in this growing market. The agreement also marks a milestone in strengthening ties and promoting freedom in the Middle East. The Oman agreement builds on U.S. free trade agreements concluded with Israel, Jordan, Morocco, and Bahrain.

¶13. (SBU) Nearly 100 percent of two-way trade in consumer and industrial products is now duty free. This expands opportunities for U.S. exporters of machinery, automobiles, medical instruments, electrical machinery, and agricultural products such as vegetable oils, sugars, sweeteners, and beverage bases. In addition, Oman will provide substantial market access to U.S. suppliers across its entire services regime, provide a secure, predictable legal framework for U.S. investors in Oman, provide for effective enforcement of labor and environmental laws, and enhance the protection of intellectual property. Current bilateral trade runs at about \$2 billion/year. We expect that will grow as the world and the region recover from the economic crisis.

## The Middle East Desalinization Research Center (MEDRC)

¶14. (SBU) MEDRC is a unique institution, the only intergovernmental organization in which Israel, the Palestinian Authority, and Jordan sit at the same table on a regular basis. As a symbol of cooperation and collaboration for the promotion of Middle East Peace, MEDRC addresses the important issue of cooperation among stakeholders in meeting fresh water demand. MEDRC was established through the Water Working Group of the Multilateral Track of the Middle East Peace Process in December 1996, as an international research organization, headquartered in Muscat. MEDRC is supported by its members: Israel, the Palestinian Authority, Jordan, Oman, Qatar, The United States, Netherlands, Japan, and Korea, which make up the MEDRC Executive Council, the governing body which controls all of its activities and policies.

¶15. (SBU) However, MEDRC faces significant funding challenges. Sitting on land provided by the Government of Oman, and provided with funding from some of its members (the U.S. is in the process of delivering \$400,000 in FY 09 funds), MEDRC has no stable income with which to operate or to fund and finance research. The Center is working intensively to attract new members and contributions to the Executive Council so that MEDRC can continue its unique role in the region.

¶16. (SBU) In conclusion, Embassy again expresses its pleasure at the visit of CODEL Lowey. Embassy looks forward to working with CODEL Lowey to make this a successful and rewarding visit.  
Schmierer